

Imani Federal Credit Union

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January 31, 1999

VIA U.S. POSTAL SERVICE

Norman D'Amours
Chairman of the Board
National Credit Union Administration
7000 Central Parkway
Suite 1600
Atlanta, Georgia 30328

Re: Imani Federal Credit Union
Review of chartering process experience

Mr. D'Amours,

We are a proposed faith-based community development credit union in Memphis, Tennessee sponsored by Greater Imani Church and Christian Center. We have recently received from the National Credit Union Administration (the "NCUA") a letter of understanding to be executed prior to receipt of our charter. Now that we are near the end of our chartering process, we would like to review our experience and offer some recommendations which might help make your chartering process more efficient and user-friendly.

The timeline of our chartering application process thus far is set forth below:

September 1997	Submission of charter application (including business plan).
October 1997	Receipt of first comment letter from the NCUA.
December 1997	Submission of first revision of business plan.
February & March 1998	Meetings with examiner.
March 1998	Receipt of second comment letter from the NCUA.
April 1998	Submission of second revision of business plan.
May 1998	Meeting with new examiner.
May 1998	Receipt of third comment letter from the NCUA.
June 1998	Meeting with examiner to conclude on comments.
July 1998	Submission of third response to the NCUA's comments.
August 1998	Receipt of fourth comment letter from the NCUA.
September 1998	Submission of fourth response to the NCUA's comments.
October 1998	Receipt (via telephone) of fifth set of comments from the NCUA.

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November 1998	Submission of fifth response to the NCUA's comments.
December 1998	Receipt of the NCUA's request for data supporting our request for designation as a low-income credit union.
December 1998	Receipt (via telephone) of sixth set of comments from the NCUA.
January 1998	Submission of data supporting our request for designation as a low-income credit union.
January 1998	Submission of sixth response to the NCUA's comments.
January 1998	Receipt of letter of understanding from the NCUA.

As you can see, the chartering process has been quite tedious, redundant and inefficient. For a number of reasons, it has been downright frustrating to us. So that the process can be improved for groups which may submit charter applications in the future, we make the following recommendations.

- The NCUA's internal process for reviewing an application for a charter, including guidelines for each NCUA employee or agent involved, should be reduced to writing. The NCUA employees with whom we dealt claim to have had no experience in chartering a credit union. Thus, it often seemed as though they were making up the process as they went along, guessing what needed to be done. It may be true that no credit union has been chartered in our region in over 10 years and, consequently, few (if any) current employees of the NCUA have any experience in the chartering process. Nevertheless, such employees in our region should have been able to communicate with other regions of the NCUA to determine their chartering procedure. Furthermore, the NCUA organization should maintain institutional records, or written procedural guidelines, of how the chartering process was administered in the past. If it does not, the creation of such records and guidelines for future generations of NCUA employees should be among the NCUA's highest priorities.
- The NCUA should make every effort to ensure that all issues to be addressed are presented in its first comment letter. Our biggest frustration with the process was the fact that, no matter how well we addressed and resolved the NCUA's comments, the NCUA continued to raise new issues. Every time we thought we were getting close to completing the process, it seemed the NCUA would raise additional issues. The issues raised, as well as their timing, seemed to be very arbitrary. Certainly, the ability to raise new issues at any time during the process opens the door for arbitrary or malicious examinations by NCUA employees, whether intended or not. Furthermore, such ability makes the process inefficient and time-consuming by disabling the applicant from responding to all the issues at once. For these reasons, we recommend that the NCUA take its time to fully review the application when it is originally submitted and attempt to identify *all* of the issues then. Subsequent correspondence should be limited to resolving comments and issues presented in the NCUA's first comment letter.

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- New examiners, and other representatives of the NCUA, getting involved in the middle of the chartering process should be restricted to issues already on the table. For us, the single biggest letdown in our chartering process came when, in the middle of the process when we thought we had just about addressed all of the NCUA's concerns, our application was assigned to a new examiner. The new examiner reviewed our application from scratch, as though no review had previously been conducted. The new examiner conducted an inspection, as if none had previously been conducted. In fact, the new examiner asked us to address some of the same issues that had already been addressed. From our perspective, it appears that the eight months that elapsed between the time we first submitted our application and the time our application was assigned to the new examiner was wasted time, and all correspondence prepared and transmitted during that time was for naught. To avoid this in the future, we recommend that NCUA records with respect to each application be maintained in such a manner that NCUA employees subsequently getting involved in the process will be able to readily ascertain the history of the process. Furthermore, some restrictions should be imposed on the newly involved NCUA employee's ability to introduce new issues into the process.
- All ancillary applications should be addressed concurrently with the NCUA's review of the charter application. For example, along with our charter application, we applied for designation as a low-income credit union. We believed at the time of submission that our business plan contained sufficient information for a determination of whether we qualified for the low-income designation. It was not until December 1998, fifteen months after our application was submitted and when all other issues were practically resolved, that we were asked for additional information to support our application for a low-income designation. Currently, we have a letter of understanding in our possession, but resolution of the low-income designation application remains outstanding. Had our low-income designation application been considered during the NCUA's initial review of our charter application, it would be resolved by now. Since it was not, we are faced with the dilemma of either: (i) further delaying receipt of our charter until a final determination has been made regarding our application for low-income designation; or (ii) receiving our charter now and re-applying later for low income designation. Neither option is attractive. To avoid this in the future, the NCUA should review all ancillary applications submitted concurrently with its review of the related charter application.
- Correspondence need not always be formal. Rather, to expedite the chartering process, requests for small pieces of information should be made by telephone and submission of such information should be accepted via facsimile. Many issues, particularly issues with respect to our pro formas, could have been resolved quickly via a telephone conversation. Also, information requested by the NCUA often was brief enough to have been submitted via facsimile, rather than through a formal letter. Thus, the chartering process could have been shortened by relaxing the formal nature of correspondence between the NCUA and us.

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- Qualifications of board and committee members should be objective and less stringent. We are not sure exactly what qualifications the NCUA imposes on a person wishing to serve as a board or committee member of a credit union. We do know that several committed, willing, trustworthy and talented volunteers wishing to serve on our board and/or committees, who would have been a tremendous asset to our credit union, were rejected by the NCUA. Perhaps the NCUA's requirements are too strict. Whether they are or not, the public, including the applicant, should be made aware of exactly what qualifications a person must meet to serve on a board or committee of a credit union.
- The NCUA should adopt a mentor/mentee relationship with applicants and credit unions, as opposed to a regulator/regulated, or superior/subordinate, relationship. The NCUA can be supportive of applicants and credit unions without compromising its duty to regulate and monitor them. Most applicants for charters are like us in that they have no experience in operating a credit union. The NCUA can help relieve some of the anxiety new credit unions experience, as well as eliminate some of the mistakes such new credit unions will make, by being a mentor and a coach to new credit unions. Perhaps the NCUA already intends to serve as a mentor to new credit unions. From the credit union's perspective, however, the NCUA appears to be more of a regulator (i.e., "Big Brother"). A change in this perception would probably stimulate a greater amount of open dialogue between the NCUA and credit unions.
- The NCUA should become more service-oriented. It should view applicants and credit unions as customers. As in the private sector, the NCUA should view it as its obligation to serve, rather than dictate to, such "customers." Such a focus on service would force the NCUA to make its chartering process more efficient, as well as to comply most of the other recommendations contained in this letter.

Again, we submit these recommendations to you in the hope that they will prove beneficial to you in the process of chartering future applicants. We believe that the NCUA is the key to the success of the Credit Union Movement and, if that movement is to continue to grow, the NCUA has to become more user-friendly and supportive of its credit unions. We are more than willing to do anything we can to help in that regard.

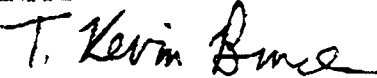
We are excited to be on the verge of admission into the credit union family. We look forward to many years of a positive, fruitful working relationship with you. In the meantime, however, if you

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need additional information or have any questions about anything contained in this letter, please contact either the undersigned at (901) 373-0850 or Lillie Hackney at (901) 755-7399.

Sincerely,

IMANI FEDERAL CREDIT UNION

By: 
T. Kevin Bruce
Chairperson

cc: Dennis Dollar
NCUA Board member

Yolanda Wheat
NCUA Board member

Carol Aranjio
Chairman of the Board
National Federation of Community Development Credit Unions